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| REPORT TO: | FINANCE AND MANAGEMENT COMMITTEE | AGENDA ITEM: 7 |
| DATE OF MEETING: | 15th FEBRUARY 2018 | CATEGORY: OPEN DELEGATED |
| REPORT FROM: | STRATEGIC DIRECTOR OF CORPORATE RESOURCES | |
| MEMBERS' CONTACT POINT: | KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk | DOC: u/ks/business rates/revaluation 2017/committee reports/discretionary rate relief schemes update Jan 2018 |
| SUBJECT: | DISCRETIONARY BUSINESS RATES REVALUATION RELIEF SCHEME | REF: |
| WARD (S) AFFECTED: | ALL | TERMS OF REFERENCE: FM 12 |

1.0 Recommendations

- 1.1 That the updated Discretionary Business Rate Revaluation Relief Scheme for 2017/18 to support local businesses in South Derbyshire adversely affected by the 2017 Rating Revaluation List is approved.
- 1.2 That relief is awarded to a business based on the following scheme criteria:
- Its RV is less than £200,000.
 - Its Business Rates payable in 2017/18 has increased by 5% or greater when compared to 2016/17.
 - The business does not qualify for any other relief, excluding the “Support for Pubs Scheme” in 2017/18.
 - The business is not part of a national chain or group of companies, i.e. it is a local business in the District.
 - Relief is limited to 90% of the total increase in rates payable between 2016/17 and 2017/18.
- 1.3 That the updated scheme for 2017/18 is rolled forward to 2018/19 based on the same criteria except that Relief is limited to 45% of the total increase in rates payable between 2016/17 (the base year) and 2018/19.

2.0 Purpose of Report

- 2.1 To consider an update on allocating the Council's budget for supporting businesses in South Derbyshire adversely affected by the 2017 Business Rates Revaluation.
- 2.2 The initial scheme was approved by the Committee in October 2017 and this update proposes an amendment to that initial scheme to ensure the Council's allocation is fully utilised in this financial year, 2017/18.

3.0 Detail

Background

- 3.1 In the Government's March 2017 Budget, additional funding of £300m nationally was allocated over the 4 financial years, 2017/18 to 2020/2021. This funding is intended to support businesses adversely affected by the 5-yearly national revaluation which took effect from April 2017. The funding is front-loaded in Year 1 (2017/18) and tapers down by 2020/2021.
- 3.2 In allocating the funding to each local council, the Government based it on a formula which would target support to businesses with a RV less than £200,000, with an increase in Business Rates Payable in 2017/18 of greater than 12.5% compared to 2016/17.
- 3.3 However, it is for each council to decide locally its own scheme for best allocating this funding. Unlike other business rate reliefs, there is no national scheme and each council has full discretion under existing legislation.
- 3.4 However, the Government indicated that local schemes should support those businesses facing the most significant increase in their bills and occupying lower value (medium-sized) properties that are not subject to other reliefs. In addition, to satisfy state aid rules, it has been suggested relief should be restricted to local businesses only and not national chains or groups.

The Council's Funding

- 3.5 The Council has been allocated funding of £202,000 for 2017/18. Indicative figures are £98,000 for 2018/19, £40,000 for 2019/20 and £6,000 for 2020/21 - £346,000 in total.
- 3.6 The Council can choose to implement a scheme that costs more, but it would not be able to reclaim any difference above its allocation. Where the total amount allocated in a particular year is not used, it will be reclaimed by the Government; no unused funding in one year can be carried forward to the following year. This has been confirmed by the Government despite some lobbying by the local government sector.

The Local Scheme in South Derbyshire

3.7 In October 2017, the Committee approved a local scheme for 2017/18 which was largely based on the principles of the formula used by the Government to distribute the national funding. It was revised slightly to reduce the risk of exceeding the overall funding; this led to the following criteria being approved.

A business will receive Discretionary Revaluation Relief in 2017/18 where:

- Its RV is less than £200,000.
- Its Business Rates payable in 2017/18 has increased by 10% or greater when compared to 2016/17 (*the national funding formula was based on 12.5%*)
- The business does not qualify for any other relief.
- The business is not part of a national chain or group of companies, i.e. it is a local business in the District.
- Relief is limited to 90% of the total increase in rates payable between 2016/17 and 2017/18 (*this was an additional factor approved to ensure that the maximum funding was not exceeded and to allow a contingency*).

3.8 The Scheme has been implemented and this has supported over 80 local businesses. To-date, the total cost of relief awarded totals £126,000.

3.9 Having identified and finalised the list of businesses fulfilling the approved criteria, the total amount allocated is less than that estimated and below the total funding of £202,000 for 2017/18.

Proposals to Utilise the Remaining Funding

3.10 To ensure that the Council utilises the remaining funding, two amendments to the original scheme are proposed.

Additional Support to Pubs

3.11 Besides the Revaluation Relief, the Government also announced a "Support for Pubs Scheme" through a one-off £1,000 discount (on their Business Rates) in 2017/18 for public houses with a RV of less than £100,000. This relief has also been implemented and has benefitted approximately 10 pubs in the District. It has been funded separately by the Government.

3.12 Even with this additional support, some pubs have seen large increases in their Rates. Due to this separate scheme, they were excluded from the original Revaluation Relief Scheme as they were already receiving support via the discount.

3.13 Having reviewed this situation, it is now considered fairer if these pubs were brought into the Council's Revaluation Relief Scheme. Effectively, the pub discount is not in itself a relief and these pubs would have, or still do, qualify for the Revaluation Relief.

Reducing the Increase in Business Rates from 10% to 5%

- 3.14 As highlighted earlier in the report, the current scheme supports businesses where their actual Business Rates payable has increased by 10% or more between 2016/17 and 2017/18. If this percentage is reduced to 5% and all other criteria remains unchanged, it will support up to a further 100 businesses across the District.
- 3.15 Alongside the proposal to include pubs subject to the discount as highlighted above, the total cost of the scheme would be £197,000.

Proposed Scheme 2018/19

- 3.16 The national funding has been structured to transition eligible businesses to the full increase by 2021/22. However, the profile (front-loading) of the funding effectively means that eligible businesses will pay the full increase after 2019/20.
- 3.17 The Council's Scheme for 2017/18 grants relief of up to 90% of the increase in rates payable. To accord with the reduction in funding in future years, relief would be limited as shown in the following table

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| 2017/18 – relief limited to 90% (total funding £202,000) |
| 2018/19 – relief limited to 45% (total funding £98,000) |
| 2019/20 – relief limited to 20% (total funding £40,000) |
| 2020/21 – relief limited to 2.5% (total funding £6,000) |
| 2021/22 – full increase paid (no funding) |

- 3.18 Therefore, the Council's proposed scheme for 2018/19 will remain the same with the relief limited to **45%** of the total increase in rates payable between 2016/17 (the base year) and 2018/19.

4.0 Financial Implications

- 4.1 As detailed in the report.

5.0 Corporate Implications

- 5.1 None

6.0 Community Implications

- 6.1 The aim of the Revaluation Relief Scheme is to support local businesses in the area that create employment across the District.

7.0 Background Papers

- 7.1 None